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SIPDIS

H PASS TO CODEL LOWEY

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TAGS: PREL PGOV PTER KWBG IS EG JO IR
SUBJECT: CODEL LOWEY DISCUSSES ISRAELI-PALESTINIAN PEACE WITH
NETANYAHU GOVERNMENT

REF: TEL AVIV 0887

Classified by Deputy Chief of Mission Luis Moreno, reason 1.4 (b) and (d)

¶1. (C) Summary. CODEL Lowey discussed peace with the Palestinians April 16 with senior GOI officials, including Prime Minister Netanyahu, Defense Minister Barak, Foreign Minister Lieberman, IDF Chief of General Staff Lt. General Ashkenazi, Minister for Strategic Affairs Yaalon, and Deputy Foreign Minister Ayalon. While noting that the new GOI is still conducting a comprehensive policy review, the Israeli interlocutors emphasized a series of themes, including the need for Palestinian recognition of Israel as a Jewish state; the importance of fresh ideas following the inability of PM Olmert to achieve an agreement with Abu Mazen; the urgency of countering the impact of Iran on regional politics; a regional framework to support Palestinian-Israeli negotiations; and acceptance of the need to remove illegal outposts, though they demurred on freezing settlements. The Israelis consistently stressed the critical importance of the U.S.-Israeli relationship and the new government's readiness to cooperate with the U.S. Septel reports the discussion of Egypt's anti-smuggling efforts. End summary.

WELCOMING CODEL LOWEY

¶2. (SBU) The GOI warmly welcomed CODEL Lowey -- House Appropriations Subcommittee on Foreign Operations Chairwoman Rita Lowey (D-NY), HACFO Ranking Member Kay Granger (R-TX), Representative Jesse Jackson, Jr. (D-IL), Representative Adam Schiff (D-CA), and Representative Steven Rothman (D-NJ) -- April 16. Chairwoman Lowey began each meeting by stressing that the CODEL's members are all strong supporters of Israel and Israel's security. Netanyahu, Barak, Lieberman, Ayalon and Ashkenazi all thanked the CODEL for their support and noted the importance to Israel of the special relationship with the U.S. and in particular with the U.S. Congress. Netanyahu and Ayalon in particular stressed that the new GOI is conducting a thorough review of Israeli policy toward the Palestinians which should be completed in a few weeks.

WHY NO PEACE WITH THE PALESTINIANS?

¶3. (C) A key Israeli theme throughout the discussions was the need for fresh ideas on Israeli-Palestinian peacemaking. Foreign Minister Lieberman said that despite 16 years since the Oslo agreements, Israel and the Palestinian Authority have failed to make peace. He noted Barak's offer to Arafat, Sharon's disengagement from Gaza, and the "Olmert-Livni government's" negotiations since Annapolis all failed to achieve agreement. Criticizing former PM Olmert's approach of negotiating a "shelf agreement" to be implemented only after Palestinian institutions and security forces have developed sufficiently, Ayalon said he did not know of any conflict that had been solved by reaching an agreement before establishing the basis for that agreement. Palestinian positions have remained unchanged since 1993, while Israel has repeatedly made concessions. Strategic Affairs Minister Boogie Yaalon, a former IDF Chief of General Staff,

said the Israeli-Palestinian conflict is about Israel's existence, not territory. In response to Representative Rothman's comment that Palestinians feel they are under occupation, Yaalon responded that the problem is that they see the occupation as starting in 1948, not 1967. Efforts to achieve a "quick settlement" based on Israeli withdrawal to the 1967 lines will not work. Defense Minister Barak commented that the world looks at Israel and the Palestinians and sympathizes with the Palestinians as the weaker party, while Israel takes a regional perspective, in which Israel is the party threatened with destruction.

14. (C) Prime Minister Netanyahu argued that seventy to eighty percent of Israelis are ready to make major concessions for peace, but a similar percentage do not believe Israel has a viable Palestinian partner. While there has been some progress on the ground in the West Bank since 2007 due to the professionalization of the Palestinian Authority security forces, the overall situation is deteriorating because of Iran's direct intervention in Gaza and Lebanon. Israel wants to advance peace and roll back the enemies of peace, but it cannot do it alone. A regional framework, including Egypt, Jordan, and the Gulf states, will facilitate progress and help block the expansion of Iranian influence. Lt General Ashkenazi said he disagreed with those who argue that solving the Israeli-Palestinian conflict would lead to the rest of the region falling into place. Iran, he said, is the real issue since Iran is determined to spoil any step forward.

TWO STATES FOR TWO PEOPLES

15. (C) Deputy Fon Min Ayalon said the new government will abide by Israel's international obligations, including the goal of two states

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for two peoples. The Palestinians, he argued, do not accept that formula since they want to expel all Jews from the West Bank while holding open the possibility of the return of Palestinian refugees. He termed this the solution of "one and a half states for the Palestinians and half a state for the Jews." Abu Mazen must recognize Israel as a Jewish state, this would convey a political horizon for Israelis too. Judaism is a nationality and a culture first and a religion second. Israel has room for non-Jews as equal citizens, but only in the framework of a Jewish state. Fon Min Lieberman said he planned to tell Senator Mitchell that the international commitment must be to Israel as a Jewish state, not a bi-national state. Yaalon said Israel should try to solve the Israeli-Palestinian conflict but it will be difficult since no Palestinian leader has yet recognized Israel's right to exist as a Jewish state. Netanyahu said the goal should be peace for the Palestinians and for the Jewish state of Israel which has the capacity to defend itself. He observed that Israel has been talking to the Palestinians for years about peace without the Palestinians ever acknowledging Israel as a Jewish state because they refuse to give up the right of return.

SETTLEMENTS AND OUTPOSTS

16. (C) The CODEL repeatedly raised settlements and outposts, including reports of GOI plans to build in the E-1 area between Ma'aleh Adumim and East Jerusalem. Chairwoman Lowey commented that publicity about Israeli settlement activity makes it hard to keep the world's focus on Iran. Ayalon said Israel extended its sovereignty to East Jerusalem in 1980, so the GOI does not consider Israeli neighborhoods in East Jerusalem to be settlements. He said the E-1 area is important for the "future protection" of Jerusalem, but added that there was no need to build there now due to the political sensitivity. Ayalon said that outposts are illegal and the government will take action, but then noted that the Olmert government had done very little to remove outposts and asked that the U.S. give the new government some time to address the issue.

17. (C) Barak described several categories of settlements: East Jerusalem, which Israel does not regard as settlements, the large blocs that Israel plans to keep in the event a Palestinian state is established, and about 70 settlements east of the security fence.

The settlements east of the fence have a population of about 70,000, while there are 200,000 Israelis in East Jerusalem and about 180,000 living in the blocs. Barak said there are only a few hundred settlers living in illegal outposts. The GOI needs to address the outpost issue for its own reasons, and to meet Israel's international commitments. Netanyahu said the new government's policy on settlements is part of its policy review. Outposts, however, are illegal and the GOI must enforce the law. He also commented that the Olmert government had the same view of outposts but failed to take action to remove them.

¶ 8. (C) Barak provided the most detailed comments on the E-1 issue. According to Barak, all Israeli governments since Rabin have insisted on Israel's right to retain E-1, but at the same time they have decided not to build in the area except for the new police station. Asked about Palestinian concerns that building in E-1 would separate Ramallah from Bethlehem and effectively cut the West Bank in two, Barak said the problem could be solved by building a tunnel and a six to eight lane highway linking Ramallah to Bethlehem. He noted that the U.S. did not want Israel to build in E-1 but he said the U.S. had not considered the tunnel option.

BOTTOM UP AND PALESTINIAN REFORM

¶ 9. (C) Asked what Israel could do to promote a regional coalition against Iran, Lt. General Ashkenazi commented that Israel should make progress with the Palestinians while maintaining the credibility of Israel's military option. Elaborating, Ashkenazi said that while he would keep the IDF out of the GOI's policy debate about a political track with the Palestinians, he strongly supports developing the PA's security forces and promoting the West Bank economy. Ashkenazi praised Lt. General Dayton for "doing a great job" training the PASF, but added that he did not think the Palestinians would be ready for some time to handle the full range of security responsibilities. The important thing is to maintain progress and work with Palestinian moderates.

¶ 10. (C) Netanyahu reviewed by now familiar positions about Israel not wanting to govern the Palestinians but that a Palestinian state would necessarily have limitations on its powers, including demilitarization and no right to sign treaties or import weapons. A peace settlement without the necessary security arrangements would quickly come apart. Netanyahu said he fully supports the list of Israel's security needs put together by Barak under the Olmert government. The current PA is too weak to reach an agreement and therefore Israel should help strengthen the PA as a partner. A

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regional component would help reinforce the parallel political, security and economic tracks proposed by Netanyahu. For example, Netanyahu said that economic arrangements for a post-Hamas Gaza would require close cooperation among Israel, Egypt and the PA, while Jordan could contribute to the economic development of the West Bank.

¶ 11. (C) Yaalon offered his own, not necessarily official, ideas about Palestinian reform. Drawing on years he spent as the IDF's West Bank commander, head of military intelligence, and after retirement from the army, a personal initiative to engage Palestinian reformers, Yaalon proposed a strategy for defeating jihadist ideology through a long-term strategy of political, economic and military means. Yaalon called for education reform by changing Palestinian curriculum to normalize the references to Israel and remove glorification of martyrdom. Economic reform should facilitate investment and ease movement for Palestinian businessmen. The goal should be to change the PA's dependency on international donations by creating an economically viable entity, first in the West Bank and later in Gaza if Hamas can be removed. West Bank obstacles and checkpoints are a result of the Second Intifada and should gradually be removed if the security situation remains stable. Political reform would aim at encouraging independent civil society, not controlled by the PA. Law and order is already developing thanks to Dayton's work. Finally, security reform will require the consolidation of PA security organizations, reducing them from nine to three. The PA should be made gradually to confront terrorism, which Yaalon noted it had never done in a sustained manner since Oslo. This process will take time.

Yaalon urged that the U.S. not press Israel to make a political deal with the PA within a year or two. This approach did not work in the past and will not work in the future, he asserted.

¶12. (U) CODEL Lowey did not have the opportunity to clear this cable.
CUNNINGHAM